P.A.C.E. Program

(Providing Access to Capital for Entrepreneurs)

Purpose:

The P.A.C.E. Program provides access to capital for new and existing Virginia businesses by encouraging banks to make loans that they would otherwise not make due to a borrower's risk profile. The program is administered by the Virginia Small Business Financing Authority (VSBFA) for the Department of Minority Business Enterprise (DMBE). The P.A.C.E. program provides two financing mechanisms as described below.

- Eligible Loan Uses: Funds are available for working capital, expansion, equipment, agri-business and most other business needs. Loans to refinance a bank's existing loans to a borrower or loans for non-owner occupied real estate or residential housing are not eligible for enrollment.
- Eligible Loan Types: Term loans and lines of credit are eligible.
- Eligible Borrowers: Any corporation, partnership, limited liability corporation, limited liability partnership, joint venture, sole proprietorship which is authorized to conduct business in the Commonwealth of Virginia

Capital Access Fund for Disadvantaged Businesses

To apply for financing through this Fund, a new or existing business makes application to a VSBFA participating bank. If the participating bank determines that the proposed financing request does not meet the bank's normal underwriting guidelines, the bank will then determine whether the proposed loan transaction would be acceptable if the loan were enrolled in *P.A.C.E.* Neither DMBE nor the VSBFA participates in the bank's underwriting decision or the bank's decision to utilize the Capital Access Fund to provide financing.

Once the bank has approved the financing for enrollment in *P.A.C.E.*, the bank determines the fee amount to be paid by the borrower based on the bank's perceived level of risk. Enrollment fees paid by the borrower typically range between 3% and 7% of the loan amount and are non-refundable. DMBE, through the VSBFA, contributes a matching fee that will be no less than twice that of the borrower's fee. Both the borrower's and DMBE/VSBFA's fees are contributed to a loan loss reserve fund established for the benefit of the bank. In the event of a default on an enrolled loan, the bank can utilize funds in this reserve to offset its loss. The maximum outstanding loan amount(s) which may be enrolled for any single borrower, or any common enterprise in which the borrower has an ownership interest, is $250,000.

Loan Guaranty Fund for Disadvantaged Businesses

Businesses should go directly to their bank for financial assistance. The bank determines if a government guaranty is needed. The *Loan Guaranty Program* for Disadvantaged Businesses is simple to use. The bank and the applicant company fill out very brief applications. The bank submits the applications with copies of their credit write-ups, commitment letter (if available), the applicant company's financial statements and business plan, if applicable. Loan closings for approved requests are scheduled by the bank and the bank uses its own documentation procedures and forms. The interest rate is set by the Bank.

VSBFA staff underwrites requests for guaranties. In considering whether to extend a guaranty under the program, the VSBFA assesses the company's ability to repay the loan, the experience of the company's management and the adequacy of the collateral available to secure the loan. Although there is no specific job creation requirement under the program, VSBFA also considers the economic impact and job creation resulting from the financing.

Deficiency guarantees of lines of credit are provided on an annual basis, with up to four subsequent renewals of the guaranty (5 year maximum). Deficiency guarantees for up to 5 years are available for term loans. ***Amount:*** The maximum guaranty under the program is $50,000 or 90% of the loan amount, whichever is less. ***Application Fee:*** $30 ***Guaranty Fee:*** The guaranty fee is 1% of the guaranteed amount due at closing of the line or term loan.